

Harvest Co-op Markets

BOARD POLICY REGISTER

Register originally created: April 2011
Updated May 2016

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Policy Type: Ends
Policy Title: A – Global End
Last Revised: 1/6/14

Harvest Cooperative Markets exists for these ends:

1. Community

Create a welcoming shopping experience and a vibrant community for members, customers and staff.

2. Products

Offer healthy and sustainable products with an emphasis on organic, fair trade and local at a reasonable price.

3. Co-op Business

Members, customers and staff are knowledgeable and excited about the cooperative business model.

4. Environment

Demonstrate environmental responsibility.

5. Employees

Create a positive work environment for employees while providing a respectful workplace and a living wage.

Policy Type: Executive Limitations

Policy Title: B – Global Executive Constraint

Last Revised: 3/20/11

The General Manager shall not cause or allow any practice, activity, decision, or organizational circumstance that is unlawful, imprudent, or in violation of commonly accepted business and professional ethics and practices, or in violation of the Cooperative Principles.

Policy Type: Executive Limitations
Policy Title: B.1 – Communication to the Board
Last Revised: 3/20/11

The General Manager shall not cause or allow the Board to be uninformed or unsupported in its work.

The GM will not

1. Submit monitoring reports that are untimely, inaccurate, or hard to understand.
2. Report any actual or anticipated noncompliance with any policy of the Board in an untimely manner.
3. Allow the Board to be unaware of relevant trends, public events of the Cooperative, or significant internal and external changes.
4. Withhold his/her opinion if the GM believes the Board is not in compliance with its own policies on Governance Process and Board-Management Delegation, particularly in the case of Board behavior that is detrimental to the work relationship between the Board and the GM.
5. Deal with the Board in a way that favors or privileges certain Board members over others except when responding to officers or committees duly charged by the Board.
6. Fail to supply for the Board's consent agenda all decisions delegated to the GM yet required by law, regulation, or contract to be Board-approved.

Policy Type: Executive Limitations
Policy Title: B.2 – Financial Condition and Activities
Last revised: 3/20/11

With respect to the actual, ongoing financial conditions and activities, the General Manager shall not cause or allow the development of fiscal jeopardy or material deviation of actual expenditures from Board priorities established in Ends policies.

The GM will not:

1. Allow sales to decline or be stagnant.
2. Allow operations to generate an inadequate net income.
3. Allow liquidity, or the ability to meet cash needs in a timely and efficient fashion, to be insufficient.
4. Allow solvency, or the relationship of debt to member/owners' equity, to be insufficient.
5. Incur debt or expenses, other than trade payables or other reasonable and customary liabilities incurred in the ordinary prudent course of conducting our current business, out of scale with current financial conditions.
6. Acquire, encumber or dispose of real estate.
7. Allow tax payments or other government-ordered payments or filings to be overdue or inaccurately filed.
8. Allow late payment of contracts, payroll, loans or other financial obligations.
9. Use restricted funds for any purpose other than that required by the restriction.
10. Allow financial record keeping systems to be inadequate or out of conformity with Generally Accepted Accounting Practices (GAAP.)

Policy Type: Executive Limitations

Policy Title: B.3 – Business Planning and Financial Budgeting

Last revised: 3/20/11

The General Manager shall not cause or allow business planning and budgeting, for any fiscal year or the remaining part of any fiscal year to deviate materially from the Board's Ends priorities, risk financial jeopardy, or fail to be derived from a multiyear plan.

The GM will not cause or allow plans that:

1. Risk incurring those situations or conditions described as unacceptable in the Board policy "Financial Condition and Activities."
2. Omit credible projection of revenues and expenses, owner investment and return, separation of capital and operational items, cash flow, and disclosure of planning assumptions.
3. Plan expenditures in any fiscal year that would result in default under any of the Cooperative's financing agreements or cause the insolvency of the Cooperative.
4. Have not been tested for feasibility.
5. Provide less for Board prerogatives during the year than is set forth in C.8 Governance Investment Policy.

Policy Type: Executive Limitations
Policy Title: B.4 – Asset Protection
Last revised: 3/20/11

The General Manager shall not allow assets to be unprotected, unreasonably risked, or inadequately maintained.

The GM will not:

1. Allow equipment and facilities to be inadequately insured, or otherwise unable to be replaced if damaged or destroyed, including coverage for any losses incurred due to business interruption.
2. Allow unnecessary exposure to liability or lack of insurance protection from claims of liability.
3. Allow inadequate security of premises and property.
4. Allow data, intellectual property, or files to be unprotected from loss, theft or significant damage.
 - a. Allow improper usage of members' and customers' personal information.
5. Allow uncontrolled purchasing or purchasing subject to conflicts of interest.
6. Allow lack of due diligence in contracts.
7. Allow damage to the Cooperative's public image.

Policy Type: Executive Limitations
Policy Title: B.5 – Membership Rights and Responsibilities
Last Revised: 6/6/11

The General Manager will not allow members to be uninformed or misinformed of their rights and responsibilities.

The GM will not:

1. Create or implement a member equity system without the following qualities:
 - a. The required member equity, or fair share, is determined by the Board.
 - b. Members are informed that equity investments are at risk. While they are generally refundable, the Board retains the right to withhold refunds when necessary to protect the Cooperative's financial viability.
 - c. Equity will not be refunded if such a refund would lead to a net decrease in total member paid-in equity, or would risk, cause or exacerbate non-compliance with any Financial Condition policy.
2. Implement a patronage dividend system that
 - a. Violates IRS regulations.
 - b. Fails to include participation with a Board committee to develop a range of options and implications, so the Board can make a timely determination each year concerning how much, if any, of the Cooperative's net profit will be allocated and distributed to members, as clarified by Article 8 of the Bylaws.

Policy Type: Executive Limitations

Policy Title: B.6 – Treatment of Customers

Last Revised: 3/20/11

The General Manager will not be unresponsive to customer needs.

The GM will not:

1. Operate without a clear and accessible system for soliciting and considering customer opinion regarding preferences, product requests, complaints and suggestions.
2. Allow an unsafe shopping experience for our customers.

Policy Type: Executive Limitations
Policy Title: B.7 - Staff Treatment and Compensation
Last revised: 3/20/11

The General Manager will not treat staff in any way that is unfair, unsafe, or unclear.

The GM will not:

1. Operate without written personnel policies that:
 - a. Clarify rules for staff
 - b. Provide for fair and thorough handling of grievances
 - c. Are accessible to all employees
 - d. Inform staff that employment is neither permanent nor guaranteed.
2. Cause or allow personnel policies to be inconsistently applied.
3. Provide for inadequate documentation, security and retention of personnel records and all personnel related decisions.
4. Establish compensation and benefits that are internally or externally inequitable.
5. Change the GM's own compensation and benefits, except as his or her benefits are consistent with a package for all other employees.
6. Operate without a clear and accessible system for welcoming and considering employee feedback

Policy Type: Executive Limitations

Policy Title: B.8 –Board Logistical Support

Last Revised: 6/6/11

The General Manager will not allow the Board to have inadequate logistical support.

The GM will not:

1. Allow the Board to be without a workable mechanism for official Board, officer or committee communications.
2. Provide inadequate information and notice to members concerning Board actions, meetings, activities and events.

Policy Type: Executive Limitations
Policy Title: B.9 – Emergency GM Succession
Last revised: 3/20/11

To protect the Board from sudden loss of GM services, the GM shall not be without a succession plan.

The GM will not:

1. Be without at least one other manager sufficiently familiar with Board and GM issues and processes to enable her/him to assume the roles and responsibilities specific to the GM in his or her absence and with reasonable proficiency as an interim successor.
2. Be without a written transition plan that is accessible to the Board.

Policy Type: Board Process

Policy Title: C – Global Governance Commitment

Last Revised: 3/20/11

Acting on behalf of our owners, the Board ensures that our cooperative produces benefit and value, while avoiding unacceptable actions and situations.

Policy Type: Board Process
Policy Title: C.1 – Governing Style
Last Revised: 3/20/11

We will govern in a way that emphasizes empowerment and clear accountability. In order to do this, we will:

1. Focus our vision outward and toward the future.
2. Observe the 10 Policy Governance principles below.
3. Maintain group discipline, authority, respect and responsibility.
4. Clearly distinguish Board and General Manager roles.
5. Encourage diverse viewpoints.
6. Obey all relevant laws and bylaws.
7. The Board will speak with one voice.

Principles of Policy Governance

- 1. Ownership:** The Board connects its authority and accountability to those who morally if not legally own the organization—if such a class exists beyond the Board itself—seeing its task as servant-leader to and for that group. “Owners,” as used in the Policy Governance model, are not all stakeholders, but only those who stand in a position corresponding to shareholders in an equity corporation.
- 2. Governance Position:** With the ownership above it and operational matters below it, governance forms a distinct link in the chain of command or moral authority. Its role is commander, not advisor. It exists to exercise that authority and properly empower others rather than to be management’s consultant, ornament, or adversary. The Board—not the staff—bears full and direct responsibility for the process and products of governance, just as it bears accountability for any authority and performance expectations delegated to others.
- 3. Board Holism:** The Board makes authoritative decisions directed toward management and toward itself, its individual members, and committees only as a total group. That is, the Board’s authority is a group authority rather than a summation of individual authorities.
- 4. Ends Policies:** The Board defines in writing the (a) results, changes, or benefits that should come about for specified (b) recipients, beneficiaries, or otherwise defined impacted groups, and (c) at what cost or relative priority for the various benefits or various beneficiaries. These are not all the possible “side benefits” that may occur, but those that form the purpose of the organization, the achievement of which constitutes organizational success. Policy documents containing solely these decisions are categorized as “Ends” in describing the Policy Governance model, but

can be called by whatever name a Board chooses, as long as the concept is strictly preserved.

- 5. Board Means Policies:** The Board defines in writing those behaviors, values-added, practices, disciplines, and conduct of the Board itself and of the Board's delegation/accountability relationship with its own subcomponents and with the executive part of the organization. Because these are non-ends decisions, they are called "Board means" to distinguish them from ends and staff means. In describing the Policy Governance model, documents containing solely these decisions are categorized as Governance Process and Board-Management Delegation, but can be called by whatever name a Board chooses, as long as the concept is strictly preserved.
- 6. Executive Limitations Policies:** The Board makes decisions with respect to its staff's means decisions and actions only in a proscriptive way in order simultaneously (a) to avoid prescribing means and (b) to put off limits those means that would be unacceptable even if they work. Policy documents containing solely these decisions are categorized as "Executive Limitations" in describing the Policy Governance model, but can be called by whatever name a Board chooses, as long as the concept is strictly preserved.
- 7. Policy "Sizes":** The Board's decisions in Ends, Governance Process, Board-Management Delegation, and Executive Limitations are made beginning at the broadest, most inclusive level and, if necessary, continuing into more detailed levels that narrow the interpretative range of higher levels, one articulated level at a time. These documents—which replace or obviate Board expressions of mission, vision, philosophy, values, strategy, and budget—are called policies in describing the Policy Governance model, but can be called by whatever name a Board chooses, as long as the concept is strictly preserved.
- 8. Delegation to Management:** If the Board chooses to delegate to management through a chief executive officer, it honors the exclusive authority/accountability of that role as the sole connector between governance and management.
- 9. Any Reasonable Interpretation:** In delegating further decisions—beyond the ones recorded in Board policies—the Board grants the delegatee the right to use any reasonable interpretation of those policies. In the case of Ends and Executive Limitations when a CEO exists, that delegatee is the CEO. In the case of Governance Process and Board-Management Delegation, that delegatee is the CGO (chief governance officer) except when the Board has explicitly designated another Board member or Board committee.
- 10. Monitoring:** The Board monitors organizational performance through fair but systematic assessment of whether a reasonable interpretation of its Ends policies is being achieved and a reasonable interpretation of its Executive Limitations policies is being avoided. If there is a CEO, this constitutes the CEO's evaluation.

Policy Type: Board Process
Policy Title: C.2 – The Board’s Job
Last Revised: 3/20/11

In order to govern successfully, we will:

1. Create and sustain a meaningful relationship with member-owners.
2. Hire, compensate, delegate responsibility to, and hold accountable a General Manager.
(See D. Board GM Relationship Policies)
3. Have expectations in the form of written governing policies that realistically address the broadest levels of all organizational decisions and situations. We will write these policies in the form of Ends, Executive Limitations, Board Process, and Board-Management Relationship, as described in the Policy Governance principles.
4. Assign responsibility in a way that honors our commitment to empowerment and clear distinction of roles.
5. Rigorously monitor operational performance in the areas of Ends and Executive Limitations, and Board performance in the areas of Board Process and Board-Management Relationship.
6. Perpetuate the Board’s leadership capacity using ongoing education, training and recruitment.

Policy Type: Board Process
Policy Title: C.3 – Agenda Planning
Last Revised: 3/20/11

We will follow an annual agenda that focuses our attention upward and outward.

1. Our annual governance cycle will run from December 1 to November 30.
2. We will create, and modify as necessary, an annual calendar that includes the items mentioned in this policy, membership meetings, Board training schedule, monitoring schedule, and the GM evaluation and compensation decisions as outlined in our Board-Management Relationship policies.
3. We will limit the amount of meeting time taken up by Executive Limitations monitoring reports, discouraging discussion unless the reports indicate policy violations, or the policy criteria themselves need review.

Policy Type: Board Process
Policy Title: C.4 – Board Meetings
Last Revised: 3/20/11

Board meetings are for the task of getting the Board’s job done.

1. We will use Board meeting time only for work that is the whole Board's responsibility. We will limit committee issues, operational matters and personal concerns.
2. Meetings will be open to the membership except when executive session is officially called.
 - a. We may occasionally use executive session to deal with confidential matters, as long as the purpose of the session is stated. When possible, announcement of the executive session should be on the published agenda.
 - b. Meetings will include a specific time for member comments.
3. We will seek consensus through discussion and finalize and document decisions through use of motions, seconds and majority vote. The meeting agenda will be determined by the Board president, and may be modified at the meeting by a majority vote of the Board.

Policy Type: Board Process
Policy Title: C.5 – Directors’ Code of Conduct
Last Revised: 6/6/11

We each commit ourselves to ethical, businesslike and lawful conduct.

1. Every director is responsible at all times for acting in good faith, in a manner which she/he reasonably believes to be in the best interests of the Cooperative, and with such care as any reasonable person in a like position would use under similar circumstances.
2. Directors must demonstrate unconflicted loyalty to the interests of the Cooperative’s owners. This accountability supersedes any conflicting loyalty such as that to advocacy or interest groups, membership on other Boards or staffs, and the personal interest of any director acting as an individual consumer or member.
 - a. There will be no self-dealing or any conduct of private business or personal services between any director and the Cooperative except as procedurally controlled to assure openness, competitive opportunity and equal access to “inside” information.
 - b. When the Board is to decide on an issue about which a director has an unavoidable conflict of interest, that director shall abstain from the conversation and the vote.
 - c. A director who applies for employment must first resign from the Board.
 - d. Any director who is also a paid employee has the same duties and responsibilities as any other director, and has the additional duty of clearly segregating staff and Board responsibilities. Any director who is also a paid employee will resign from the Board if and when their employment ends.
3. Directors may not attempt to exercise individual authority over the organization.
 - a. When interacting with the GM or employees, directors must carefully and openly recognize their lack of authority.
 - b. When interacting with the public, the press, or other entities, directors must recognize the same limitation and the inability of any director to speak for the Board except to repeat explicitly-stated Board decisions.
4. Directors will respect the confidentiality appropriate to issues of a sensitive nature and must continue to honor confidentiality after leaving Board service.
5. Directors will prepare for and participate in all Board meetings and trainings and will contact the Board President when absences are unavoidable. Directors are expected to prepare for and participate in meetings of committees on which they serve.
6. Directors will support the legitimacy and authority of the Board’s decision on any matter, irrespective of the director’s personal position on the issue.
7. Any director who does not follow the code of conduct policy shall resign from the Board if requested to do so by a 2/3 majority vote of the remaining Board. If a director refuses

to submit his or her resignation, Article 5, Section 8 of the bylaws may be employed to remove the director.

Policy Type: Board Process
Policy Title: C.6 – Officers’ Roles
Last Revised: 6/6/11

We will elect officers in order to help us accomplish our job.

1. No officer has any individual authority to supervise or direct the GM.
2. Officers may delegate their authority but remain accountable for its use.
3. The president ensures the Board acts consistently with Board policies.
 - a. The president is authorized to use any reasonable interpretation of the provisions in the Board Process and Board-Management Relationship policies.
 - b. The president will chair and set the agenda for Board meetings.
 - c. The president plans for leadership (officer) perpetuation.
 - d. The president may formally represent the Board to outside parties.
 - e. The president is responsible for communicating Board decisions and requests to the GM.
4. The vice-president will perform the duties of the president in her/his absence and perform any duties delegated by the president.
5. The treasurer will lead the Board’s process for creating and monitoring the Board’s (not the Cooperative’s) budget.
6. In addition, the treasurer will facilitate the Board’s understanding of the financial situation of the co-op.
7. The secretary will make sure the Board’s documents are accurate, up to date, and appropriately maintained and shall make them available for inspection by members.

Policy Type: Board Process
Policy Title: C.7 – Board Committee Principles
Last Revised: 3/20/11

We will use Board committees only to help us accomplish our job.

1. Committees will reinforce and support the objectives of the Board.
2. In particular, committees help the whole Board move forward when they research alternatives and bring back options and information.
3. Board committees may not speak or act for the Board except when formally given such authority for specific and time-limited purposes.
4. The Board will establish, regularly review and control committee responsibilities in written committee worksheets.
 - a. We will carefully state committee expectations and authority to make sure they do not conflict with authority delegated to the GM.

Policy Type: Board Process
Policy Title: C.8 – Governance Investment
Last Revised: 3/20/11

We will invest in the Board's governance capacity.

1. We will make sure that Board skills, methods and supports are sufficient to allow us to govern with excellence.
2. We will incur governance costs prudently, though not at the expense of endangering the development and maintenance of superior capability.
 - a. We will use training and retraining to orient new directors and candidates for membership, as well as to maintain and increase existing directors' skills and understanding.
 - b. We will arrange outside monitoring assistance as necessary so that the Board can exercise confident control over organizational performance.
 - c. We will use outreach mechanisms as needed to ensure our ability to listen to owner viewpoints and values.
 - d. We will use professional and administrative support.
3. We will develop the Board's annual budget in cooperation with the GM in a timely way so as to not interfere with the development of the Cooperative's annual budget. In no case will we complete this work later than February 1.

Policy Type: Board-Management Relationship
Policy Title: D – Global Board-Management Connection
Last Revised: 3/20/11

The Board's sole official connection to the operations of the cooperative will be through the General Manager.

Policy Type: Board-Management Relationship

Policy Title: D.1 – Unity of Control

Last Revised: 6/6/11

Only officially passed motions of the Board are binding on the GM.

1. Decisions or instructions of individual directors, officers, or committees are not binding on the GM except in rare instances when the Board has specifically authorized this power.
2. In the case of directors or committees requesting information or assistance without Board authorization, the GM can refuse any requests that, in the GM's opinion, may disrupt operations or that require too much staff time or resources.
3. The Board will not cause or allow any consequences or retaliation against the GM for sharing his/her opinion regarding Board behavior.

Policy Type: Board-Management Relationship

Policy Title: D.2 – Accountability of the GM

Last Revised: 6/6/11

The General Manager is the Board's only link to operational achievement and conduct.

1. The Board will view GM performance as identical to organizational performance so that the Cooperative's accomplishment of Board-stated ends and avoidance of Board-proscribed means will be viewed as successful GM performance.
2. The Board will not instruct or evaluate any employees other than the GM and the Board Administrator.

Policy Type: Board-Management Relationship

Policy Title: D.3 – Delegation to the GM

Last Revised: 3/20/11

The Board delegates authority to the GM through written Ends and Executive Limitations policies.

1. As long as the GM uses any reasonable interpretation of the Board's Ends and Executive Limitations policies, the GM is authorized to establish all further policies, practices and plans for the cooperative.
2. The Board will respect and accept the GM's choices as long as those choices are based on reasonable interpretations of Board policies.
3. If the Board changes an Ends or Executive Limitations policy, the change only applies in the future.

Policy Type: Board-Management Relationship
Policy Title: D.4 – Monitoring GM Performance
Last Revised: 3/20/11

The Board will systematically and rigorously monitor and evaluate the GM’s job performance.

1. Monitoring is how the Board determines the degree to which the GM is following Board policies. Information that does not directly relate to Ends or Executive Limitations policies is not monitoring information.
2. The Board will acquire monitoring information by one or more of three methods: (a) by internal report, in which the GM discloses interpretations and compliance information to the Board; (b) by external report, in which an external, disinterested third party selected by the Board assesses compliance with Board policies; or (c) by direct Board inspection, in which a designated director or committee assesses compliance with the policy criteria.
3. In every case, the standard for compliance will be any reasonable GM interpretation (as described by operational definitions and metrics) of the Board policy being monitored. The Board is the final arbiter of reasonableness but will always judge with a “reasonable person” test rather than with interpretations favored by individual directors or by the Board as a whole.
4. The GM is compliant with a policy if he/she presents a reasonable interpretation and adequate data that demonstrate accomplishment of that interpretation.
5. The Board expects to be informed of any cases of non-compliance. At the Board’s discretion, non-compliance may or may not result in consequences for the GM.
6. The Board will monitor all policies that instruct the GM. The Board can monitor any policy at any time by any method listed in D4.2 above but will ordinarily follow the schedule outlined in the Board Annual Calendar.
7. The Board’s annual evaluation of the General Manager, based on a summary of monitoring reports received from May through April, will be completed by August 1.
8. The Board will make its decisions concerning the evaluation and the employment contract no later than August.
9. The Board will complete the GM compensation process no later than February 1.

APPENDICES

POLICY GOVERNANCE® SOURCE DOCUMENT

Why a Source Document?

A “source” is a point of origin. A source document is a “fundamental document or record on which subsequent writings, compositions, opinions, beliefs, or practices are based.” (Websters)

Without a simply expressed clear point of source, interpretations, opinions, writings and implementations may intentionally or unintentionally diverge from the originating intent and ultimately be undifferentiated. The point of source (“authoritative source”) is John Carver, the creator of Policy Governance, with Miriam Carver his fellow master teacher.

Without a simply expressed clear source document, Policy Governance is not reliably grounded and not transferable as a paradigm of governance. It is left vulnerable to interpretation, adaptation and impotence. This document has been produced by the International Policy Governance Association and approved by John and Miriam Carver as being true to source.

What Policy Governance is NOT!

1. Policy Governance is not a specific Board structure. It does not dictate Board size, specific officers, or require a CEO. While it gives rise to principles for committees, it does not prohibit committees nor require specific committees.
2. Policy Governance is not a set of individual “best practices” or tips for piecemeal improvement.
3. Policy Governance does not dictate what a Board should do or say about group dynamics, methods of needs assessment, basic problem solving, fund raising, managing change.
4. Policy Governance does not limit human interaction or stifle collective or individual thinking.

What Policy Governance IS!

Policy Governance is a comprehensive set of integrated principles that, when consistently applied, allows governing Boards to realize owner-accountable organizations.

Starting with recognition of the fundamental reasons that Boards exist and the nature of Board authority, Policy Governance integrates a number of unique principles designed to enable accountable Board leadership.

Principles of Policy Governance

1. **Ownership:** The Board connects its authority and accountability to those who morally if not legally own the organization—if such a class exists beyond the Board itself—seeing its task as servant-leader to and for that group. “Owners,” as used in the Policy Governance model, are not all stakeholders, but only those who stand in a position corresponding to shareholders in an equity corporation.
2. **Governance Position:** With the ownership above it and operational matters below it, governance forms a distinct link in the chain of command or moral authority. Its role is commander, not advisor. It exists to exercise that authority and properly empower others rather than to be management’s consultant, ornament, or adversary. The Board—not the staff—bears full and direct responsibility for the process and products of governance, just as it bears accountability for any authority and performance expectations delegated to others.
3. **Board Holism:** The Board makes authoritative decisions directed toward management and toward itself, its individual members, and committees only as a total group. That is, the Board’s authority is a group authority rather than a summation of individual authorities.
4. **Ends Policies:** The Board defines in writing the (a) results, changes, or benefits that should come about for specified (b) recipients, beneficiaries, or otherwise defined impacted groups, and (c) at what cost or relative priority for the various benefits or various beneficiaries. These are not all the possible “side benefits” that may occur, but those that form the purpose of the organization, the achievement of which constitutes organizational success. Policy documents containing solely these decisions are categorized as “Ends” in describing the Policy Governance model, but can be called by whatever name a Board chooses, as long as the concept is strictly preserved.
5. **Board Means Policies:** The Board defines in writing those behaviors, values-added, practices, disciplines, and conduct of the Board itself and of the Board’s delegation/accountability relationship with its own subcomponents and with the executive part of the organization. Because these are non-ends decisions, they are called “Board means” to distinguish them from ends and staff means. In describing the Policy Governance model, documents containing solely these decisions are categorized as Governance Process and Board-Management Delegation, but can be called by whatever name a Board chooses, as long as the concept is strictly preserved.
6. **Executive Limitations Policies:** The Board makes decisions with respect to its staff’s means decisions and actions only in a proscriptive way in order simultaneously (a) to avoid prescribing means and (b) to put off limits those means that would be unacceptable even if they work. Policy documents containing solely these decisions are categorized as “Executive Limitations” in describing the Policy Governance model, but can be called by whatever name a Board chooses, as long as the concept is strictly preserved.
- 7.

Policy “Sizes”: The Board’s decisions in Ends, Governance Process, Board-Management Delegation, and Executive Limitations are made beginning at the broadest, most inclusive level and, if necessary, continuing into more detailed levels that narrow the interpretative range of higher levels, one articulated level at a time. These documents—which replace or obviate Board expressions of mission, vision, philosophy, values, strategy, and budget—are called policies in describing the Policy Governance model, but can be called by whatever name a Board chooses, as long as the concept is strictly preserved.

8. **Delegation to Management:** If the Board chooses to delegate to management through a chief executive officer, it honors the exclusive authority/accountability of that role as the sole connector between governance and management.
9. **Any Reasonable Interpretation:** In delegating further decisions—beyond the ones recorded in Board policies—the Board grants the delegatee the right to use any reasonable interpretation of those policies. In the case of Ends and Executive Limitations when a CEO exists, that delegatee is the CEO. In the case of Governance Process and Board-Management Delegation, that delegatee is the CGO (chief governance officer) except when the Board has explicitly designated another Board member or Board committee.
10. **Monitoring:** The Board monitors organizational performance through fair but systematic assessment of whether a reasonable interpretation of its Ends policies is being achieved and a reasonable interpretation of its Executive Limitations policies is being avoided. If there is a CEO, this constitutes the CEO’s evaluation.

All other practices, documents, and disciplines must be consistent with the above principles. For example, if an outside authority demands Board actions inconsistent with Policy Governance, the Board creatively uses the consent agenda or other device to be lawful without compromising governance.

Policy Governance is a precision system that promises excellence in governance only if used with precision. These governance principles form a seamless paradigm or model. As with a clock, removing one wheel may not spoil its looks but will seriously damage its ability to tell time. So in Policy Governance, all the above pieces must be in place for Policy Governance to be effective. When all brought into play, they allow for a governing Board to realize owner accountability. When they are not used completely, true owner accountability is not available.

Policy Governance Boards live these principles in everything they are, do and say.

Produced by International Policy Governance Association in consultation with John and Miriam Carver, 2005 - 2007.

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Definitions

Policy Governance Work: Reasonable interpretation

What is the importance of the “any reasonable interpretation” rule?

When judging CEO performance upon receipt of a monitoring report, the Board must be true to its promise to accept any reasonable interpretation of what the Board has said in the applicable policy. It is not fair to impose more detail in judging than was stated in the criteria. Any reasonable interpretation means just that. It doesn't mean the interpretation of the most prominent Board member, the interpretation the Board had in mind but didn't say, or even the interpretation now favored by the entire Board. The Board is obligated not only to be fair in this judgment, but to protect the CEO from individual Board members who wish to judge based on their interpretation of the Board's policy.

(Source: <http://www.carvergovernance.com/faq8.htm#reasonableinterpretation>)

Question: Does the following make the definition of "reasonable interpretation" clear?

The term *reasonable* is a generic and relative one and applies to that which is appropriate for a particular situation.

In the law of Negligence, the reasonable person standard is the standard of care that a reasonably prudent person would observe under a given set of circumstances. An individual who subscribes to such standards can avoid liability for negligence. Similarly a reasonable act is that which might fairly and properly be required of an individual.

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Means Policies

There are two types of policies: Monitoring policies, which are used to monitor aspects of the Board and General Manager’s performance; and Means policies, which govern how the Board does its work. These policies have been created over a period of many years to deal with specific issues that have come up. The policy process involves forming a committee; filling out a committee worksheet (Board Manual, page x); getting the worksheet approved by the Board, working on the proposal, and finally, getting the proposal passed by the Board. There may be several steps going back and forth between the committee and the Board before a final version of the proposal is passed.

1) Proposed timeline and process for GM compensation plan

Harvest Co-op Markets

Prepared by Marilyn Scholl, CDS, November 2007

	Expected time	Begin date	End date	Process	Documents
Review and commit to overall process	One meeting	Nov. 26 packet; Dec 3 meeting	Dec. 3	Board discussion	Board packet will include materials from DLW
Directors complete individual questions	One month	Dec. 3	Jan. 8	Private reflection on individual director questions.	“Director and Board questions” document
Common understanding among board on importance of GM compensation	One meeting	Jan. 8	Jan. 8	Board discussion	“Director and Board questions” document
Develop criteria to judge a plan	Two meetings	Feb. 4	March 3	Board discussion and decision on criteria	Sample criteria from DLW materials; notes from board discussions
Develop request for proposal (RFP)	Two weeks	March 3	March 17	Board delegates authority to a director or task force to implement its decision and write a RFP	Director or task force prepares a RFP
GM develops proposal based on RFP	Six weeks	March 17	April 28	GM research and preparation of proposal	GM proposal
Board decides on proposal	One meeting	April 28, packet; May 5 meeting	May 5	Vote a) Meets criteria, Accept b) B) Does not meet criteria; Send back for revision	GM proposal

Documentation: Contract or clear written GM compensation plan	Three weeks	June 2	June 23	Board delegates authority to a director or task force to implement its decision into a contract or document	GM contract or document for personnel file
Plan takes effect		July 1, 2008	June 30, 2010		

2) Policy on Compensation of Board Members

In appreciation of their service, Harvest will award Directors a quarterly stipend of \$100, payable in the form of Harvest store credit. The President of the Board will receive \$150 per quarter. Committee chairs who are not directors will receive \$50 per quarter.

3) Policy on Discounts

Current: “5/7/07 Harvest’s discounts (controlled by management) will include need, reflecting member values as expressed in 6/26/06 Board minutes. “The sense we got from the outreach is that supporting less fortunate members of the community is a value that is important to the Harvest community, and we hope to be able to continue it.”

4) Summarizing materials submitted to Board

Materials submitted to the board during meetings may be summarized for the purposes of the minutes.

5) Harvest Board of Directors will join the CGIN network

Background:

CGIN (Coop Grocers Information Network) maintains a listserv through which all Directors at member Co-ops can ask questions and participate in discussions with Directors of other Co-ops around the country. As the Harvest Board implements policy governance, it could prove to be a valuable opportunity to learn from other Directors.

CGIN’s Co-op Board Members specialized listserv is open to all current directors of CGIN members. The purpose of this listserv is to facilitate discussion and share ideas and information that promote good governance practices in food co-ops and strengthen food co-op boards.

To request information or join

Only the CGIN contact person or General Manager can subscribe current board members to the listserv by using one of the following options:

- 1) Complete the online system. The online form will ask you for each board member’s name and e-mail address, along with a short acknowledgment statement.
- 2) Register via e-mail or snail mail. Complete the registration form and send to the CGIN office using the contact information on the form.

Requirements

Subscribers MUST be current directors of the paying CGIN member. The CGIN contact person or General Manager is responsible for notifying the CGIN office of all board turnover, especially when e-mail addresses change.

Cost: Primary members pay an annual fee to CGIN based on its financial needs and plans. In 2010 the annual fee for primary members was \$200.

Proposal:

The Board approves spending \$200 from its existing budget to ensure all Directors can participate in the CGIN Board Listserv. Each Director will provide the GM with the

appropriate information to ensure he/she can sign-on to the listserv. Each Director agrees to use the listserv exclusively for board purposes for projects and discussion topics approved by the entire board.

6) Reimbursement of Directors for Child Care

Background:

The Board has always valued diversity and encouraged all qualified members to run and serve on the board. Occasionally, this includes reimbursing Directors for reasonable expenses related to board activities. Typically this has included travel expenses and occasional lodging (though not recently) for conferences and meetings.

In FY 2009 the Board spent \$16,301 (unaudited). This includes expenses like the reimbursements mentioned above, the Administrator's compensation, our CBLD membership and consulting, legal advice, and assistance and other costs directly related to board expenses. The FY 2011 costs will be significantly higher as our CBLD membership increased to 'full' price and we are using additional consulting time for Policy Governance work.

Costs for childcare are difficult to predict, but based on the anticipated expenses of current directors, estimated annual cost to the board would be approximately \$1,000. (Based on the response of directors in early 2011.) It should be noted that the fiscal year for which we plan the budget runs from May through April, while the board year runs from November through October. As a result, it is possible that the new board that starts in November 2011 could have significantly different needs for reimbursement.

Note: This proposal only includes childcare reimbursement for the actual scheduled board meetings, not sub-committee meetings, it also does not include reimbursement for additional work done on behalf of the board and does not include reimbursement for members who participate in committee work, but are not Directors.

Proposal:

- The Harvest Board values diversity among Directors. The board wants to ensure that no member is prevented from serving as a Director due to the cost of childcare. Therefore, the Board wishes to create a separate line item under board expenses that will be set each year. The Board will set the budgeted childcare amount annually, considering the anticipated need of Directors and the overall financial condition of Harvest.
- In FY 2012, the Board approves a specific line item of \$1,000 for the reimbursement of childcare expenses for current directors.
- Directors seeking reimbursement should submit receipts for childcare to the Board President for approval who will pass them on to the GM for payment.
- The Board should plan to discuss and decide this issue shortly after new Directors are seated each year. That decision should include:

- Setting the child care reimbursement budget for the coming fiscal year based on Harvest's financial condition, the number of directors likely to seek child care reimbursement and other current factors.
- The board should decide on guidelines for its use, including:
 - Reimbursement for additional meetings
 - Reimbursement for committee meetings
 - Reimbursement for conference calls
 - Reimbursement for non-directors who serve on committees
 - Additional time spent by directors on Harvest-related work outside of meetings
 - How receipts will be submitted, received, approved, and paid

7) The Board decided by consensus to not make the questions (on the Monitoring Reports) part of the formal minutes.

8) Communicating Lease Ends With Members

2012--Leases at Cambridge (10 years) and Arboretum (15 years) begin

2013--Release a letter that states that our lease at Little JP will be expiring within two years

2014--Release a letter that states that our lease at Little JP will be expiring within one year

2015--Lease at Little JP expires

2017--Release a letter that states that our lease at Cambridge will be expiring within five years

2020--Release a letter that states that our lease at Cambridge will be expiring within two years

2021--Release a letter that states that our lease at Cambridge will be expiring within one year

2022--Lease at Cambridge expire

2022-Release a letter that states that our lease at Arboretum will be expiring in five years

2025-Release a letter that states that our lease at Arboretum will be expiring in two years

2026--Release a letter that states that our lease at Arboretum will be expiring in one year

2027--Lease at Arboretum expires

9)

Harvest Co-op Market Endorsement Policy

1 PURPOSE

The Harvest Co-op Market Board of Directors may choose to lend its endorsement to issues deemed relevant and in accordance with the Co-op's values. The primary criterion is the relevance and harmony of the endorsement with Harvest Co-op Market mission statement. There may be exceptions not covered by this policy.

2 SCOPE

The board will consider endorsements from not-for-profit organizations and community groups and political campaigns. Among the initiatives the Harvest Co-op Market Board of Directors might be asked to endorse are related to, but not limited to:

Cooperatives, Food, Nutrition and Health Products, Sustainable agriculture, Environmental issues, Consumer safety, and/or Community.

2.1 The Harvest Co-op Market board does not consider requests to endorse commercial products.

3 DEFINITION OF ENDORSEMENT

Endorsement is understood to mean overall support for an initiative or organization based on a thorough review. An endorsement by the Harvest Co-op Market board implies that the board agrees with the information being communicated.

4 CRITERIA FOR ENDORSEMENT

4.1 The initiative must be consistent with the Harvest Co-op Market vision, mission, and values.

4.2 There must be adequate time for the Harvest Co-op Market board to review the request and make changes to the information (if applicable) following the review.

4.3 The Harvest Co-op Market board should be able to verify the credibility of the organization making the request.

4.4 If appropriate, the organization requesting the endorsement should be able to provide information about marketing, sponsorship, and funding.

4.5 The goals of the initiative should be clear.

4.6 The request for endorsement should define what is expected from Harvest Co-op Market and what Harvest Co-op Market can expect from the organization.

4.7 The endorsement should include the dates on which the endorsement begins and the date the endorsement expires.

5 PROCESS

5.1 A request for endorsement should be in writing and be made to the general manager of Harvest Co-op Market, who will forward the request to the board president.

5.2 The board president will arrange for a review of the endorsement request by the MSCC at their next meeting. The MSCC will prepare a recommendation for the board.

5.3 The request and the recommendation will be forwarded to the president of the board of directors for inclusion on the agenda at the next regular board meeting.

5.4 The general manager will communicate or cause to be communicated the decision of the board to the organization requesting the endorsement and (in the case of a positive decision) make any necessary arrangements involving use of the Harvest Co-op Market name and logo.

5.5 For emergency or time sensitive endorsement requests the Board president may place the endorsement directly on the board agenda.

5.6 The Board may choose not to endorse an issue that is unclear, poorly articulated or deemed to be of questionable ethics.

5.7 The Board may choose not to endorse an issue that in their perception does not have the support of a majority of the Co-op membership.

6 USE OF HARVEST CO-OP MARKET NAME AND LOGO

The general manager of Harvest Co-op Market must approve all use of the Harvest Co-op Market name and logo. The general manager or their designee must review all draft materials before printing. If Harvest Co-op Market agrees to have its logo appear, it must be printed in its official colors, or black.

7 Endorsement of any issues must be by unanimous vote of the board members present at the meeting.

8 Endorsement by the board will always read “Endorsed by the Board of Directors, Harvest Co-op Market”.

10)

Referendum Rules of Conduct

1. Prepare a proposal

The first step of the referendum process is to prepare a written proposal including:

- The name, member number and contact information of the author of the proposed referendum. This person will serve as the sole, designated contact person throughout the referendum process.
- A clear statement of the proposal with a explanation of the issue.
- The petition’s initiation date and deadline for submission (exactly six months after the issue is brought to the Board’s attention at a Board meeting).

2. Present to Board

The second step in the referendum process is to present the proposed issue to the Board. The Board meets once a month, and issues for the agenda must be presented 2 weeks in advance of the Board meeting. You may email the Board President to raise the issue.

- The Board will discuss the issue at the next possible Board meeting. The Board may decide to do one of the following:
 - Proceed with the referendum.
 - Request that the group demonstrate broad support for a referendum by collecting signatures on a petition following procedures detailed below.

3. If the Board requests a petition:

If the Board requests that the group proposing the referendum collect signatures on a petition, the group should follow these guidelines:

- All signatures will be collected on paper on the approved petition sheet provided by the Board of Directors. Electronic signature gathering is not allowed.
- The time period for collecting member signatures shall be 6 months from the petition’s initiation date (please see above). On or before the conclusion of the petition process, the original petition with signatures should be submitted to the Director of Membership at Harvest Co-op.
- Petitioners are expected to act respectfully at all times and will not interfere with members and shoppers entering or exiting the coop or interfere with the business of the coop. The signature-gathering will take place without undue harassment of Harvest Co-op members and shoppers (examples include, but are not limited to: causing public disruptions within Harvest Market stores, aggressive verbal or physical provocation, following customers as they leave the stores, touching or physical contact of any kind).

Please, use your best judgement to proceed in a calm, respectful manner as Harvest staff have the discretion to remove unruly signature gatherers. The Board wants to encourage peaceful, constructive dialogue and avoid acrimony as much as possible.

- During the signature gathering, signs may be posted on the community bulletin board. Signs may not be placed in any other place in the store except the community bulletin board.
- All information obtained from members on the petition sheet will remain confidential and will not be used for any purpose other than the referendum in question.

Failure to abide by these rules of conduct may result in the suspension of the referendum and petition process by the Board of Directors and Harvest Co-op management.

4. Referenda

Details on referenda are included in the “Member Referenda on Policy Matters” document. Please refer to that document for further information.

Update approved 5/12

11)

Member Referenda on Policy Matters

1. Initiation

- A referendum of the members may be initiated in either one of the following two ways:
 - By the Board: The Board of Directors may call for a member referendum on a policy matter at any time. It shall be responsible for drafting the language of the referendum question.
 - By the Members: A member referendum may be initiated by a petition signed by at least 10% of Harvest's members and submitted to the Board of Directors. The Board then must place the proposal on the agenda for its next meeting and discuss it at reasonable length. The Board may approve or reject the proposal.
 - » Please see "Referendum Rules of Conduct" for guidelines related to the referendum process
 - » All signatures must be obtained and recorded on paper via the approved petition signature form.
 - » Upon the beginning of the referendum process, the member(s) petitioning for the referendum shall have 6 months to collect member signatures and submit them to the Board.

2. Signatures

The signatures from active Harvest members must total 10% of the entire active membership on the day of verification (for example, if there were 100 members of the co-op on that day, there need to be signatures from 10 active members).

- Petitions that do not contain the specified number of valid signatures of members shall be disqualified entirely, and the referendum issue will be considered abandoned. Once abandoned, the same issues cannot be brought up for referenda again by the same group.
- Paper signature sheets cannot be reused for another attempt at the current referendum, or for other referenda.
- Paper signature sheets must be original: no facsimiles or copies are allowed to prevent the misuse of signatures.

3. Member Contact Information and Other Conditions

- Lists of members' names, addresses, or phone numbers shall not be disclosed to any party to a referendum.
- The Board should try to schedule referenda for a standard time of the year, and will attempt to have any referenda coincide with the annual Board elections.
- In the case of a proposed boycott of a product the co-op might carry, the following conditions also apply:
 - There must be a pre-existing, organized boycott of the product.
 - The initiating petition must include the pledge that those urging the boycott will not simply buy the product elsewhere.

- A petition opposing the boycott may be circulated. If the opposing petition is signed by 10% of the members of the co-op, the referendum will not be held.

4. Publicity

- There shall be published in the newsletter an unbiased, procedural article announcing the referendum, the procedure and dates for voting on the referendum, and the exact language of the referendum question.
- There shall be posted at appropriate locations throughout the store signs announcing the fact of the referendum, the procedure and dates for voting on the referendum, and a summary of the referendum question.

5. Debate

- The Executive Committee will solicit, from appropriate persons, at least one statement on each side of the referendum question. These statements, as well as any other statements debating the question, shall be posted in the Member Education area near the store entrance and published in the newsletter. Equal physical space shall be allotted for pro and con statements. Printed copies of the statements shall be made available for members to take away.
- A meeting open to all members shall be scheduled for the oral debate of the referendum question.

6. Campaigning

Campaigning, including talking to members, handing out leaflets, and posting partisan signs, shall be restricted to areas designated by the staff. All campaigners shall follow the Referendum Rules of Conduct.

- The Executive Committee, or a group which it designates, shall conduct and oversee the balloting.
- Only active members with up-to-date equity shares may vote on the referendum question.
- Balloting shall begin at the time of the meeting for oral debate described in section 5 above and continue for four weeks. Ballots shall be collected in a sealed ballot box kept near the Member Education area near the store entrance. Ballots must be validated by designated staff members.
- The Executive Committee shall count the ballots and report the results to the full Board and to the membership.

7. Implementation

- If at least twenty-five percent (25%) of the total number of members vote on the referendum and sixty percent (60%) of those voting support the question, the proposed policy shall be implemented. If fewer than twenty-five percent (25%) of the total number of members vote on the referendum or fewer than sixty percent (60%) of those voting support the question, it shall be within the Board's discretion to implement the proposed policy, or not.

- When the proposed policy involves a product boycott or a political stand: If a minimum of ten percent (10%) of the total number of members vote against the referendum question, the boycott or political stand shall not be implemented.
- If the Board decides to implement a boycott or political stand without first submitting the question to a member referendum, it shall announce the decision in the newsletter and delay implementation for one month from publication to allow any member who so chooses to obtain a petition of members opposing the boycott or political stand. If ten percent (10%) of the total number of all members sign the petition opposing the boycott or political stand, the Board shall not implement it.

Update approved 5/12

12)

Policy for Distributing Literature and Campaign Information

This policy covers literature written about and by Candidates for Board of Directors, as well as literature about Special Meetings and Referenda.

1. General:

- All documents must prominently feature the name of the writer(s) and any group that these individuals represent.
- Campaign documents may be placed on the table in each store that is specifically designated by Management for this purpose.
- Documents that contain obscene language, obvious errors or misstatements of fact, information deemed to be confidential, or threats may be removed at the discretion of the Board or management. This may be done even if prior approval for distribution has been received.
- Campaigning must be done in a respectful manner. Campaigners need to follow the rules of conduct—see member handout. Attempts to pursue, harass, or annoy anyone, or to continue a conversation when an individual wishes to end it, may be considered a violation of such respect, and any individual who campaigns in such a manner may be stopped at the discretion of Management or Board.
- Appeals of actions taken under this policy should be made to the Executive Committee.

2. Official Documents:

- Official documents (those developed by/for the Harvest Board, any subcommittee of the Board, or Management) **MUST** be approved in advance of distribution. Such approval must be made in writing, by either the Secretary or the President of the Board, and his/her signature and the words “approved for distribution at Harvest” must be written on the final version of the document.
- Copies of this document with signature indicating approval must be given to the General Manager, each Store Manager, and at least one Front End Manager before any documents are distributed. A copy of the approved document should be retained by the approver and by the individual/organization wishing to distribute it.
- Official documents **MAY** include the Harvest Logo and name in the typeface of the organization.

- Official documents may be posted on windows, doors, walls, tables, bulletin boards, or any other surfaces of the stores, inside or outside, with and only with the prior explicit approval of Management as to the specific locations on which posting is requested. Postings on any other locations may be removed at the discretion of the Board or Management.

3. Unofficial Documents (not approved by designated members of the Board):

- Unofficial documents may not be posted on any windows, doors, walls, tables, bulletin boards, or any other surfaces of the stores, inside or outside.
- Unofficial documents must not look like official Harvest documents, must not be on Harvest Letterhead, and must NOT include the Harvest logo, the name Harvest Co-operative Supermarkets in the typeface of the organization, or any tagline or motto of the organization.

4. Campaign Literature and Methods

- Campaign statements of candidates for the Board of Directors and supporting literature may be placed on the designated table for shoppers to pick up at their own discretion. This literature may also be distributed in person during and only during a 2-hour period designated by the Nominating Committee of the Board of Directors.
- Referendum campaigning may be done at any time.
- Those campaigning may engage shoppers in conversation and distribute materials as long as the campaigners remain in close proximity (about 10 feet) to the designated table and as long as receipt of documents and verbal information by a shopper is entirely voluntary.

Update approved 5/12